



# MoDOT Financial Prequalification Process

Audits and Investigations Division

573-751-7446

# MoDOT Financial Prequalification Process

*Confidentiality of consultant financial information is managed through secure document storage practices*

- The Annual Financial Prequalification process was developed to expedite the contracting process by ensuring the consulting firms are qualified in the following areas:

Legal status

Accounting system

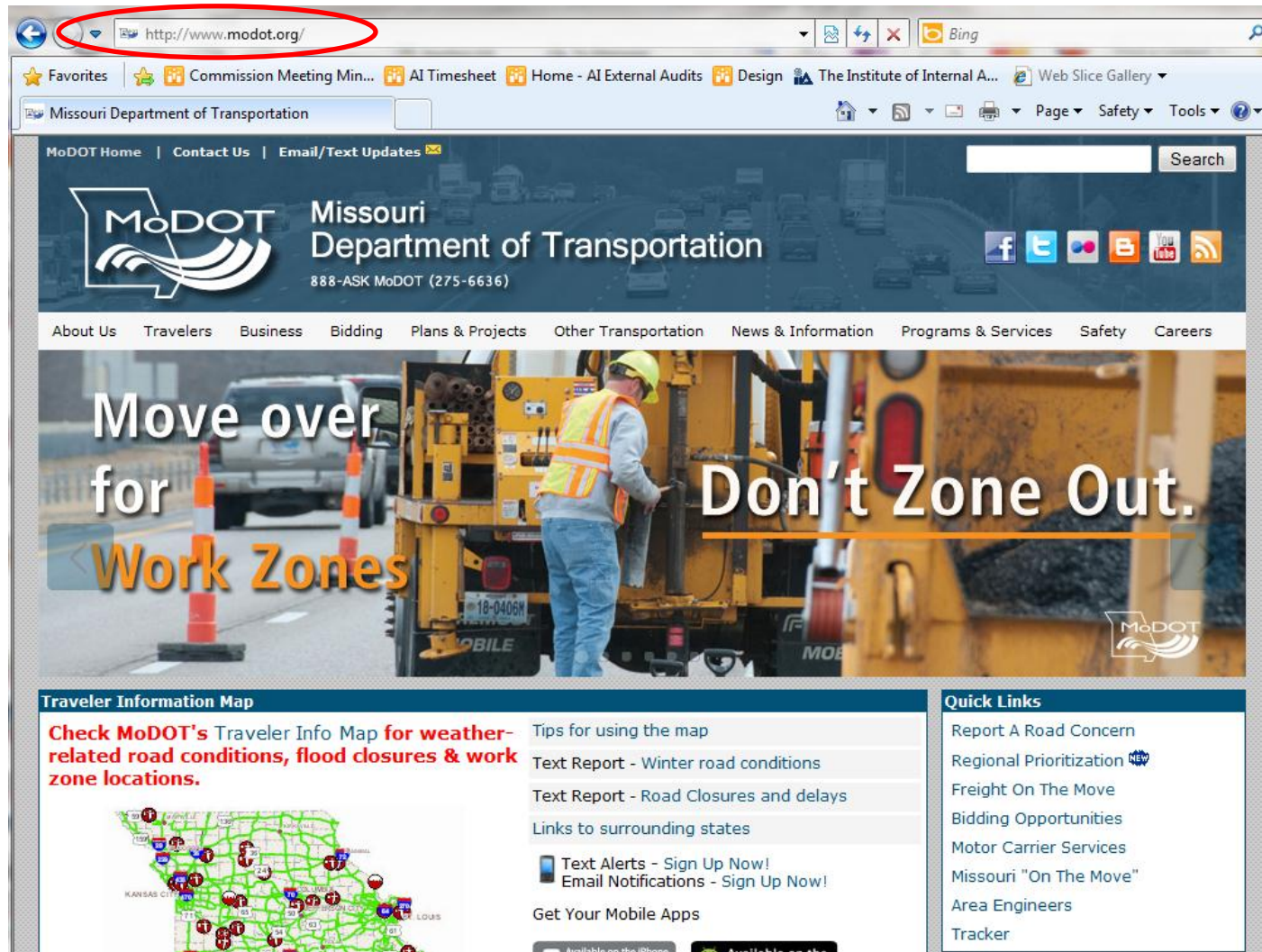
Capabilities

Specific technical experience

Licensing

# How do I navigate to the Consultant Prequalification webpage

Go to [www.modot.org](http://www.modot.org)



<http://www.modot.org/>

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**Move over for Work Zones Don't Zone Out.**

**Traveler Information Map**

**Check MoDOT's Traveler Info Map for weather-related road conditions, flood closures & work zone locations.**

[Tips for using the map](#)  
[Text Report - Winter road conditions](#)  
[Text Report - Road Closures and delays](#)  
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- [Regional Prioritization](#)
- [Freight On The Move](#)
- [Bidding Opportunities](#)
- [Motor Carrier Services](#)
- [Missouri "On The Move"](#)
- [Area Engineers](#)
- [Tracker](#)


## How do I navigate to the Consultant Prequalification webpage

- The four step prequalification process is located near the bottom of the page under the “More Links” section on the MoDOT website.









# Consultant Prequalification webpage

Select the fourth tab titled, “Consultant Prequalification Requirements



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Consultant Prequalification Requirements

Select Consultant Prequalification Requirements

Consultant Home

Engineering Services Policy

Solicitation (RFQ) Opportunities





**Consultant Prequalification Requirements**

Subconsultant Requirements

Disadvantage Business Enterprise (DBE) Information

Contact Us

LPA Home



# Consultant Prequalification webpage

Select the Standard Prequalification Process.

*Contact the Audits and Investigations Division at 573-751-7446 for Safe Harbor rate eligibility information.*

Consultant Home	Engineering Services Policy	Solicitation (RFQ) Opportunities	Consultant Prequalification Requirements	Subconsultant Requirements	Disadv. Busin. Enterprise Inform
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## Prequalification Information

Select Standard Prequalification Process

### Prequalification Processes:

- Standard Prequalification Process
- Safe Harbor Indirect Cost Rate (SHR) Pre-qualification Process (call for eligibility)

# What is required?

## Standard Prequalification Process



Back

The Missouri Department of Transportation (MoDOT) is performing financial pre-qualifications for engineering, architectural and land survey consultants who wish to provide professional services to MoDOT and the Local Program projects (city/county projects) utilizing federal funds. This process ensures MoDOT and Local Program projects are in compliance with federal and state regulations.

The AASHTO Uniform Audit & Accounting Guide should be used as a tool to assist in meeting MoDOT's pre-qualification requirements and ensures compliance with the Code of Federal Regulations.

[http://audit.transportation.org/Documents/AudAcctgGuide2012\(SPG-complete\).pdf](http://audit.transportation.org/Documents/AudAcctgGuide2012(SPG-complete).pdf)

MoDOT requires all consultants adhere to the guidelines set forth by the Department before being considered a pre-qualified consultant. These guidelines will give you the information you need to submit a complete pre-qualification application.

The next page will guide you through the pre-qualification process [Click here to begin.](#)

Click here to begin

## Step 1

### Statement of Qualification document (SOQ)

*SOQ documents are uploaded into MoDOT's system and are used as a reference tool for project managers and division leaders*

Provide one of the following documents:

- Company developed document that describes staff and project experience;
- Form 254-Architects-Engineer and Related Services Questionnaire;
- Form 330-Architects-Engineer and Related Services Questionnaire.

Standard Prequalification Process - Step 1

#### Annual Statement of Qualifications

Please provide one of the following options to fulfill the Annual Statement of Qualifications requirement:

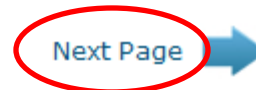
- Statement of Qualifications developed by your firm
- Form 254-Architects-Engineer and Related Services Questionnaire
- Form 330 Part II only-Architects-Engineer and Related Services Questionnaire

Questions may be directed to Sandra Riley at (573) 522-2002 or at [Sandra.Riley@modot.mo.gov](mailto:Sandra.Riley@modot.mo.gov).

**PROVIDE A COPY OF YOUR FIRM'S STATEMENT OF QUALIFICATIONS**



Previous Page



Next Page

## Step 2

# Required Missouri Registrations

Standard Prequalification Process - Step 2

### 1 Secretary of State Certificate of Good Standing (Registration to do business in Missouri)

Missouri Revised Statutes, Chapter 351, General and Business Corporations - <http://www.moga.mo.gov/statutes/c351.htm>

Your firm must be registered to do business and be in good standing to be eligible to provide professional services.

To obtain a Certificate of Good Standing contact the Secretary of State Office toll free at (866) 223-6535 or visit <http://www.sos.mo.gov>.

### 2 Missouri Division of Professional Registration Certification of Authority

Licensee Search link <https://renew.pr.mo.gov/licensee-search.asp>

Your firm must also provide a certificate of authority with the Missouri Board for Architects, Professional Engineers, Professional Land Surveyors and Landscape Architects

Certificate of Authority is not required for sole proprietorships or partnerships, its only required if your firm is incorporated or registered as a limited liability company. For sole proprietorships and/or partnerships, individual professional license certificates must be submitted in lieu of the certificate of authority.

Questions may be directed to Sandra Riley at (573) 522-2002 or at [Sandra.Riley@modot.mo.gov](mailto:Sandra.Riley@modot.mo.gov).

**PROVIDE A COPY OF YOUR CERTIFICATE OF GOOD STANDING**  
**PROVIDE A COPY OF YOUR CERTIFICATE OF AUTHORITY**

 Previous Page

Next Page 

## Step 3

# E-Verify Memorandum of Understanding (MOU) with the MoDOT Worker Eligibility Verification Affidavit

*Normally, the E-verify MOU has electronic signatures and dates*

Standard Prequalification Process - Step 3

### MoDOT Projects

Your firm must participate in the Department of Homeland Security Worker Eligibility E-Verify Program.

MO Revised Statute

<http://www.moga.mo.gov/statutes/c200-299/2850000530.htm>


- Annual Worker Eligibility Affidavit Form
- DHS Federal Work Authorization Program E-Verify

### PROVIDE:

**A copy of the Annual Worker Eligibility Affidavit and at a minimum, the 1st page and signature page(s) of the E-Verify MOU showing your firm's signature and the DHS signature**

Questions may be directed to Sandra Riley at (573) 522-2002 or at [Sandra.Riley@modot.mo.gov](mailto:Sandra.Riley@modot.mo.gov)

 Previous Page

 Next Page

# Step 4

## Financial Prequalification-Risk Based Assessment

### **MoDOT Responsibility**

MoDOT utilizes a risk based review process that provides a realistic assessment of A/E firm's financial situation. This risk based assessment provides reasonable assurance that the A/E firm's information contains no misstatements ensuring compliance with federal and state regulations.

MoDOT staff may disallow all or part of a claimed cost that is inadequately supported.

### **What is a Risk Based Assessment?**

MoDOT auditors reference costs listed on the overhead rate schedule to the costs listed on the Income Statement, General Ledger, or Trial Balance (for this example we will use the Income Statement).

The Income Statement costs are then referenced to the tax return.

The accounts and costs listed on the overhead rate schedule are then referenced to the Internal Control Questionnaire (ICQ). The ICQ describes the accounting processes and procedures used by the firm to segregate direct and indirect costs, as well as, identify and remove unallowable costs from the overhead rate schedule.

## Step 4

### Financial Prequalification-Risk Based Assessment

#### Risk Based Assessment

It is important to have cohesion between the prequalification documents. The following table shows how the documents are inter-related and must reference one to another.

Overhead Account	Overhead Amount	General Ledger	Tax Return	Comments	ICQ
Auto Expense	51,000	65,000	65,000	Please explain the 14,000 difference between the G/L, tax return and overhead	Appendix B-12 Question H.4. Classification of Cost Items.  Your firm answered N/A for vehicle, therefore vehicle costs should not be included in the overhead
Admin Travel	14,595	16,315	16,315	Please list the type of activities included in this costs. If the costs are associated with a project(s), those costs must be removed.  Please explain the 1,720 difference between the G/L, tax return and overhead schedule.	Appendix B-12 Question H.4. Classification of Cost Items.  Your firm answered Travel and Subsistence is treated as a <u>direct expense</u> therefore, the cost should not be included in the overhead. <ul style="list-style-type: none"><li>Please revise the ICQ to show how Travel and Subsistence costs are managed by the firm</li></ul>

## Step 4

# Financial Prequalification-Risk Based Assessment

### Consulting Firms Responsibility


Consultants must maintain adequate records, including supporting documentation, to demonstrate that the costs comply with applicable FAR cost principles.


Financial information should reflect the most recent completed fiscal year and should be submitted no later than six months after the close of that fiscal year.







Consultant must use the most up-to-date forms on the MoDOT Consultant Prequalification Requirements website.

## Step 4

### Item 1-Financial Prequalification Cover Page

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Standard Prequalification Process - Step 4

View the following links for additional assistance in completing the financial prequalification documents.

**Financial Information**

For assistance in completing the following financial documents, refer to the Helpful links or direct questions to External Audits at (573) 751-7446.

Financial information should reflect the most recent completed fiscal year and must be submitted no later than six months after the close of that fiscal year.

The Department will examine the application and notify the company of any apparent errors or omissions and request any additional information required by the Department to properly evaluate the application. **The company must submit any requested information to the Department within 30 days of receipt of the Department's request for such information.**

What do I need to provide to successfully complete the Financial Prequalification Process?  
What is a Risk Based Assessment?  
Table showing relationships between Prequalification documents

**Helpful Links**

[Federal Aid Training Videos](#)

[AASHTO Uniform Audit & Accounting Guide](#)


[Federal Acquisition Regulations](#)


[Federal Order 4470.1A - Establish Indirect Cost on Engineering Design-Related Services](#)

**1. Financial Prequalification Cover Page**

# Step 4

## Item 1-Financial Prequalification Cover Page

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Standard Prequalification Process - Step 4

### Financial Information

For assistance in completing the following financial documents, refer to the Helpful links or direct questions to External Audits at 573-751-7446.

Financial information should reflect the most recent completed fiscal year and must be submitted no later than six months after the close of that fiscal year.

The Department will examine the application and notify the company of any apparent errors or omissions and request any additional information required by the Department to properly evaluate the application. **The company must submit any requested information to the Department within 30 days of receipt of the Department's request for such information.**

[What do I need to provide to successfully complete the Financial Prequalification Process?](#)  
[What is a Risk Based Assessment?](#)  
[Table showing relationships between Prequalification documents](#)

**1. Financial Prequalification Cover Page**

### Helpful Links

[Federal Aid Training Videos](#)  
[AASHTO Uniform Audit & Accounting Guide](#)  
[Federal Acquisition Regulations](#)  
[Federal Order 4470.1A - Establish Indirect Cost on Engineering Design-Related Services](#)



## Step 4

### Item 1-Financial Prequalification Cover Page

#### Financial Prequalification Required Documentations

Forms are location on the MoDOT - Consultant Services - Consultant Prequalification Requirements

[http://contribute.modot.mo.gov/business/consultant\\_resources/consultant\\_prequalification\\_requirements.htm](http://contribute.modot.mo.gov/business/consultant_resources/consultant_prequalification_requirements.htm)

- 1) Overhead rate is audited by a state DOT, federal agency or an Independent CPA

**PROVIDE:**

Overhead rate audit report

If applicable, a copy of the state DOT or federal agency cognizant letter

**OR**

- 1) Overhead rate is not audited-

**PROVIDE** the following financial statements:

Amounts listed on the overhead must be traceable to the financial statements.

- a) Detailed overhead rate schedule to include FAR references to define unallowable costs
- b) Income Statement
- c) General Ledger or Trial Balance
- d) Tax Return
- e) Any additional financial documents used to prepare the overhead rate schedule

If a related party rent situation exists

**PROVIDE**

- f) Related Party Rent worksheet
- g) Related Party's tax return - depreciation amortization schedule

- 2) Executive Compensation

- 3) Contractor Cost Certification

- 4) Internal Control Questionnaire (ICQ) - include all documents requested in the ICQ

Consultants must maintain adequate records, including supporting documentation, to demonstrate that the costs comply with applicable FAR cost principles.

Financial information should reflect the most recent completed fiscal year and should be submitted no later than six months after the close of that fiscal year.

## Step 4

### Item 2-Overhead Rate Schedule (Indirect Cost Rate)

*See additional guidance located on the Overhead Rate Overview link prior to preparing the overhead rate schedule*

#### Financial Information

For assistance in completing the following financial documents, refer to the Helpful links or direct questions to External Audits at 573-751-7446.

Financial information should reflect the most recent completed fiscal year and must be submitted no later than six months after the close of that fiscal year.

The Department will examine the application and notify the company of any apparent errors or omissions and request any additional information required by the Department to properly evaluate the application. **The company must submit any requested information to the Department within 30 days of receipt of the Department's request for such information.**

What do I need to provide to successfully complete the Financial Prequalification Process?

What is a Risk Based Assessment?

Table showing relationships between Prequalification documents

#### 1. Financial Prequalification Cover Page

#### 2. Overhead Rate Overview

List of Common Unallowable Costs

Required Sample Format - Overhead Rate Schedule

## Step 4

### Item 2-Overhead Rate Schedule (Indirect Cost Rate)

Firms should have a fundamental understanding of the FAR, which may be obtained through the use of the AASHTO Uniform Audit and Accounting Guide.

**The overhead rate schedule must:**

- Be provided in the **required** format;
- Demonstrate a reasonable assurance of FAR compliance;
- The amounts must report actual costs;
- Traceable to financial statements;
- Be mathematically correct.

#### SAMPLE FORMAT

##### XYZ CORPORATION OVERHEAD SCHEDULE December 31, 2008

DESCRIPTION	Financial Stmt Expense	Unallowable Expense	FAR Reference	Total Proposed	
<b>Direct Labor</b>	<b>\$12,500,000</b>	<b>\$12,000</b>	<b>(1)</b>	<b>\$12,512,000</b>	<b>B</b>
<b>Fringe Benefits</b>					
Vacation/Holiday/Paid Leave	\$1,700,000			\$1,700,000	
Payroll Taxes	1,550,000			1,550,000	
Group Insurance	1,100,000			1,100,000	
Profit Sharing	1,016,000	(500,000)	(2)	516,000	
Incentive Payments	1,550,000			1,550,000	
Seminars/ Education	400,000			400,000	
Employee Welfare	10,000	(4,000)	(3)	6,000	
<b>Total Fringe Benefits</b>	<b>7,326,000</b>	<b>(504,000)</b>		<b>6,822,000</b>	
<b>General Overhead</b>					
Non-Project Labor	\$ 4,900,000	(12,000)	(1)	4,888,000	B,C
Recruiting	190,000			190,000	
Building Cost (Rent)	1,400,000	(20,000)	(4)	1,380,000	
Other Occupancy Cost	484,000			484,000	
Supplies	380,000			380,000	
Field Supplies & Equipment	100,000			100,000	
Postage & Shipping	78,000			78,000	
Equipment Rent/ Maintenance	386,000			386,000	
Interest	20,000	(20,000)	(5)	--	
Telephone	290,000			290,000	
Business Insurance	194,000			194,000	
Legal & Other Professional Fees	376,000	(25,000)	(6)	351,000	
Administrative Travel	597,000	(30,000)	(7)	567,000	
Dues, Memberships & Reg.	173,000			173,000	
Subscriptions & Publications	41,000			41,000	
Depreciation & Amortization	628,000	(10,000)	(8)	618,000	
Outside Payroll Service	45,000			45,000	
State Income /Personal Prop Tax	27,000			27,000	D
Direct Cost Credit	\$ (833,000)			(833,000)	E
<b>Total General Overhead</b>	<b>\$ 9,456,000</b>	<b>(117,000)</b>		<b>9,339,000</b>	
<b>Total Indirect Cost</b>				<b>\$16,161,000</b>	
<b>Facilities Capital Cost of Money (FCCM)</b>				<b>\$62,505</b>	<b>F</b>
<b>Total Indirect Cost &amp; FCCM</b>				<b>\$16,223,505</b>	
<b>Percent of Direct Labor</b>				<b>129.7%</b>	<b>A</b>

# Step 4 Item 2-Overhead Rate Schedule (Indirect Cost Rate)

The overhead rate schedule must show the removal of unallowable cost.

TABLE 8-1: LISTING OF COMMON UNALLOWABLE COSTS

FAR Reference	Unallowable Costs
31.205-1 & 31.205-38(b)(1)	Advertising
31.205-1(f)(2)	Trade Show Expenses
31.205-1(f)(2)	Trade Show Labor
31.205-1(f)(5)	Brochures and Other Promotional Material
31.205-1(d)(2)	Souvenirs/Imprinted Clothing Provided to Public
31.205-1(f)(7)	Membership in Civic and Community Organizations
31.205-3	Bad Debts
31.205-3	Collection Costs
31.205-6(m)(2)	Personal Use of Company Vehicles
31.205-8 & 31.205-1(e)(3)	Contributions or Donations
31.205-13(b)	Employee Gifts and Recreation
31.205-14	Membership in Social, Dining, and Country Clubs
31.205-14	Social Activities
31.205-15(a)	Fines, Penalties, and Mischarging Costs Related to Violation of Laws
31.205-19(e)(2)(v)	Life Insurance on Key Employees
31.205-19	Costs to Correct Defects in Materials and Workmanship
31.205-20	Interest Expense
31.205-22	Lobbying and Political Activity Costs.
31.205-27	Organization/Reorganization Legal Fees
31.205-27	Organization/Reorganization Accounting Fees
31.205-27	Organization/Reorganization Incorporation Fees
31.205-27	Organization/Reorganization Labor
31.205-27	Capital Raising (Equity or Long-Term Debt) Legal Fees
31.205-27	Capital Raising (Equity or Long-Term Debt) Accounting Fees
31.205-27	Capital Raising (Equity or Long-Term Debt) Lender Fees
31.205-30(c)	Patent Costs
31.205-33(e)	Retainer Agreements (unless properly supported)
31.205-35	Relocation Costs (in certain circumstances)
31.205-46	Travel Costs in Excess of FTR Rates
31.205-49	Goodwill
31.205-51	Alcoholic Beverages

## CHAPTER 5: COST ACCOUNTING

TABLE 5-5: SAMPLE INDIRECT COST RATE SCHEDULE

SAMPLE CONSULTING COMPANY, Inc.  
Statement of Direct Labor, Fringe Benefits, and General Overhead  
For the Year Ended December 31, 201x

Account Number & Description	General Ledger Account Balance	Direct Costs	Disallowed Costs	Processed Composites (Net)	% of Direct Labor
DIRECT LABOR	\$ 1,440,401	\$ 1,950,501		\$ 1,950,501	100.00%

80	\$	-	\$ (25,550)	(4)	\$	205,500	10.54%
85	-	-	-	-	97,525	5.00%	
86	-	-	-	-	253,565	13.00%	
116	-	-	-	-	48,414	2.50%	
140	-	-	(600)	(4)	21,040	1.00%	
155	-	-	-	-	138,535	7.00%	
59	-	-	-	-	15,759	0.81%	
Q1	-	-	-	-	180,421	9.25%	
Q3	-	-	-	-	78,000	4.00%	
89	\$	-	\$ (25,550)		\$ 1,248,926	63.87%	

90	\$	-	\$ (3,300)	(4)	\$	737,890	37.83%
Q1	(122,101)	-	-	(4)	-	-	0.00%
141	(155,341)	-	-	(4)	-	-	0.00%
51	(21,651)	-	-	(4)	-	-	0.00%
62	(44,352)	-	-	(4)	-	-	0.00%
81	-	(5,750)	-	(4)	17,341	0.88%	
88	-	(19,680)	-	(4)	61,688	3.05%	
93	-	-	-	-	5,753	0.50%	
Q2	-	(14,629)	-	(4)	-	-	0.00%
Q3	-	-	-	-	117,030	6.00%	
89	-	(350)	-	(4)	15,839	0.51%	
Q9	-	-	-	-	16,409	0.79%	
Q5	-	-	-	-	22,400	1.05%	
94	-	(38,084)	-	(4)	-	-	0.00%
66	-	-	-	-	21,486	1.10%	
95	-	-	-	-	97,135	4.58%	
110	-	(1,050)	-	(4)	18,260	0.94%	
Q7	-	(6,627)	-	(4)	-	-	0.00%
92	-	-	-	-	8,152	0.42%	
86	-	-	-	-	4,486	0.21%	
83	-	-	-	-	32,183	1.55%	
89	-	-	-	-	35,889	1.64%	
111	-	-	-	-	43,911	2.05%	
Q9	-	-	-	-	20,420	1.00%	
149	-	(2,400)	-	(4)	177,649	9.11%	
65	-	-	-	-	60,466	3.10%	
172	-	-	-	-	28,472	1.51%	
-	-	-	(107,278)	(10)	-	-	-
Q6	\$ (248,055)	\$ (152,247)	-	-	\$ 1,442,900	73.96%	
89	\$ (348,555)	\$ (221,607)	-	-	\$ 2,489,431	127.89%	

Quint is disallowed (distribution of profits).

Variable activities is disallowed.  
Low indirect cost pool.

Indirect is disallowed.

Indirect is disallowed.

are disallowed. (The entertainment cost principle supersedes all others.)  
Interest fines and penalties; and credit card interest.  
Need to adjust cost of ownership, net of interest and other unallowable items.

1 Review costs to ensure unallowable cost have been removed.

# Step 4

## Item 2-Overhead Rate Schedule (Indirect Cost Rate)

- FAR reference to define the unallowable costs.

### CHAPTER 5/COST ACCOUNTING

TABLE 5-5: SAMPLE INDIRECT COST RATE SCHEDULE

SAMPLE CONSULTING COMPANY, Inc.  
Statement of Direct Labor, Fringe Benefits, and General Overhead  
For the Year Ended December 31, 201x

Account Number & Description	General Ledger Account Balance	Direct Costs	Disallowed Costs	Processed Comments Wide	% of Direct Labor
<b>DIRECT LABOR</b>	\$ 1,950,501	\$ 1,950,501	\$ -	\$ 1,950,501	100.00%
<b>INDIRECT COSTS:</b>					
<b>FRINGE BENEFITS</b>					
6300 Benefits: Bonuses.....	\$ 234,080	\$ -	\$ (28,980) (a)	\$ 205,100	10.54%
6310 Benefits: 401(k).....	97,525	-	-	97,525	5.00%
6320 Benefits: PTO (inc. sick and holiday).....	253,565	-	-	253,565	13.00%
6620 Insurance: Disability.....	48,416	-	-	48,416	2.50%
6630 Insurance: Life.....	21,046	-	(600) (a)	21,046	1.08%
6640 Insurance: Medical.....	138,938	-	-	138,938	7.13%
6650 Insurance: Workers' Comp.....	15,799	-	-	15,799	0.81%
7520 Payroll Taxes: FICA and Med.....	180,421	-	-	180,421	9.25%
7610 Payroll Taxes: FUTA and SUTA.....	78,030	-	-	78,030	4.00%
<b>TOTAL FRINGE BENEFITS</b>	\$ 1,078,289	\$ -	\$ (29,580)	\$ 1,048,709	53.81%
<b>GENERAL OVERHEAD</b>					
6700 Indirect Labor.....	\$ 741,190	\$ -	\$ (3,300) (c)	\$ 737,890	37.83%
6810 Direct Lodging, Meals, and Travel.....	122,101	(122,101)	- (d)	-	0.00%
6920 Direct: Employee Mileage Reimbursements.....	155,341	(155,341)	- (d)	-	0.00%
9030 Direct: Rentals and Supplies.....	21,651	(21,651)	- (d)	-	0.00%
9040 Direct: Subconsultants.....	44,862	(44,862)	- (d)	-	0.00%
6020 Advertising and Marketing.....	23,591	-	6,750 (e)	17,341	0.88%
6100 Automobile Expenses.....	68,268	-	(12,680) (f)	55,588	2.84%
6200 Bank Service Charges.....	5,753	-	-	5,753	0.30%
6420 Contributions and Gifts.....	14,629	-	(14,629) (g)	-	0.00%
6500 Depreciation Expense.....	117,030	-	-	117,030	6.00%
6600 Dues and Subscriptions.....	16,188	-	(500) (h)	15,688	0.81%
6820 Insurance: Automobile.....	16,409	-	-	16,409	0.84%
6910 Insurance: Business Liability.....	22,400	-	-	22,400	1.15%
6920 Interest Expense.....	38,084	-	(38,084) (i)	-	0.00%
7030 Licenses and Permits.....	21,486	-	-	21,486	1.10%
7100 Maintenance and Repairs.....	97,135	-	-	97,135	4.98%
7200 Meals & Entertainment.....	18,310	-	(1,050) (j)	17,260	0.88%
7320 Misc. Fees, Fines, Penalties.....	6,027	-	(6,027) (k)	-	0.00%
7420 Office Expense: Cleaning.....	8,192	-	-	8,192	0.42%
7410 Office Expense: Postage and Delivery.....	4,486	-	-	4,486	0.23%
7420 Office Expense: Office Supplies.....	32,183	-	-	32,183	1.65%
7430 Office Expense: Other Office Expense.....	36,889	-	-	36,889	1.88%
7620 Personal Property Tax.....	43,911	-	-	43,911	2.25%
7720 Prof Fees: Accounting and Legal.....	20,430	-	-	20,430	1.05%
7820 Rent.....	180,048	-	(2,400) (l)	177,648	9.11%
7920 Telephone.....	60,466	-	-	60,466	3.10%
8020 Utilities.....	28,472	-	-	28,472	1.51%
Credit for Internal Allocations.....	-	-	(107,279) (m)	(107,279)	-4.50%
<b>TOTAL GENERAL OVERHEAD</b>	\$ 1,969,206	\$ (248,555)	\$ (162,247)	\$ 1,648,505	73.54%
<b>TOTAL INDIRECT COSTS &amp; OVERHEAD RATE</b>	\$ 3,069,593	\$ (248,555)	\$ (221,827)	\$ 2,499,421	127.88%

#### FAR References and Notes

- 31.209-10(b)(3)(i)(B): Owners' compensation in excess of reasonable amount is disallowed (distribution of profits).
- 31.209-15(e)(2)(v): Officers' life insurance is disallowed.
- 31.201-15(e)(2): Marketing, lobbying, and any labor associated with unallowable activities is disallowed.
- 31.202: Excluded direct project costs (both billable & non-billable costs) from indirect cost pool.
- 31.202-1: Costs for general marketing materials are disallowed.
- 31.202-10(a) & 31.202-40(c): Potential use of a company asset (automobile) is disallowed.
- 31.209-8 & 31.205-13(i): Contributions & grants are disallowed.
- 31.202-22: Lobbying costs, paid as a percentage of professional fees, are disallowed.
- 31.202-20: Interest is disallowed.
- 31.204-12 & 31.204-41: Costs for entertainment and alcoholic beverages are disallowed. (The entertainment cost/expense supercedes all others.)
- 31.201-4, 31.202-15, & 31.202-20: Disallowed late fees; Government imposed fines and penalties; and credit card interest.
- 31.202-18(i)(2): Real estate (rent) (not an arm's length transaction) is limited to actual cost or ownership, net of interest and other unallowable items.
- 31.202: Direct costs segregated and removed from indirect cost pool.

2 When identifying unallowable costs remember to include the FAR reference number

## Step 4 Item 2-Overhead Rate Schedule (Indirect Cost Rate)

Additional  
determination of  
unallowable costs  
with FAR references  
can be found on  
Appendix C in the  
AASHTO Uniform  
Audit and Accounting  
Guide.

### Key

† - See Exceptions. (\*) - Requires advance agreement or verifiable methodology.

### KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-8(d)(1)	Accrual of Compensation Expenses (allowable).	YES†
31.201-2(d)	Adequate Recordkeeping (requirement for, and Contracting Officer's authority to disallow unsupported costs).	--
31.109	Advance Agreements: defined and requirements of (in writing, executed by both parties, stated duration).	--
31.205-1(b)	Advertising defined (generally, allowability is limited to recruitment costs).	YES - help wanted
31.205-1(d)	Advertising (allowable types of).	YES
31.205-1(f)	Advertising (unallowable types of).	NO
31.205-38(b)(1)	Advertising as a part of selling costs.	NO
31.205-51	Alcoholic Beverages.	NO
31.205-46(b)	Airfare, generally.	YES
31.205-46(c)	Aircraft owned by consultants.	YES†
31.201-4	Allocability (allowability, reasonableness, and allocability).	--
31.201-2 & 31.204	Allowability (reasonable, allocable, CAS Compliant, meets terms of contract, & not otherwise unallowable).	--
31.205-52	Asset Valuations Resulting from Business Combinations.	--
31.201-8(a)	Associated Costs, defined (costs associated with unallowables). See also CAS 405.	NO
31.205-46(a)(1)	Automobile: Mileage Costs.	YES
31.205-8(m)(2)	Automobile: Personal Use of (see also 31.205-46(d)). Includes commuting and other personal costs.	NO
31.205-8(f)(1)	Awards for Employees (Performance-Based Awards--bonus and incentive compensation).	YES
31.205-18(c)	B&P: Bid and Proposal Costs (allowability of).	YES
31.205-8(h)	Back pay (generally unallowable).	NO
31.205-3	Bad Debts (and directly-associated costs).	NO
31.205-8(p)	BCA (Benchmark Compensation Amount) - statutory limit on executive compensation. (Not a safe harbor or guaranteed amount of cost recovery.)	--
31.205-4	Bonding Costs (e.g., bid, performance, payment, infringement, and fidelity).	YES
31.205-8(f)	Bonuses and Incentive Pay, generally. (See 31.205-8(f)(1)(ii) for required basis and support.)	YES†

## Step 4

### Item 2-Overhead Rate Schedule (Indirect Cost Rate)

The information included on the overhead must accurately reflect the information on Prequalification Cover Sheet, Executive Compensation, Contractor Cost Certification and Internal Control Questionnaire.

#### CHAPTER 5/COST ACCOUNTING

TABLE 5-5: SAMPLE INDIRECT COST RATE SCHEDULE

SAMPLE CONSULTING COMPANY, Inc.  
Statement of Direct Labor, Fringe Benefits, and General Overhead  
For the Year Ended December 31, 201x

Account Number & Description	General Ledger Account Balance	Direct Costs	Disallowed Costs	Procedural Comments Note	% of Direct Labor
<b>DIRECT LABOR</b>	\$ 1,950,501	\$ 1,950,501	\$ -	\$ 1,950,501	100.00%
<b>INDIRECT COSTS:</b>					
<b>FRINGE BENEFITS:</b>					
6300 Benefits: BONUSES.....	\$ 234,080	\$ -	\$ (28,960) (a)	\$ 205,120	10.54%
6310 Benefits: 401(k).....	97,525	-	-	97,525	5.00%
6320 Benefits: PTO (vac., sick, and holiday).....	253,565	-	-	253,565	13.00%
6800 Insurance: Disability.....	48,414	-	-	48,414	2.00%
6800 Insurance: Life.....	21,040	-	\$ (250) (a)	21,040	1.00%
6840 Insurance: Medical.....	138,535	-	-	138,535	7.00%
6850 Insurance: Workers' Comp.....	15,799	-	-	15,799	0.81%
7500 Payroll Taxes: FICA and Med.....	180,421	-	-	180,421	9.25%
7610 Payroll Taxes: FUTA and SUTA.....	78,030	-	-	78,030	4.00%
<b>TOTAL FRINGE BENEFITS</b>	<b>\$ 1,078,529</b>	<b>\$ -</b>	<b>\$ (29,250)</b>	<b>\$ 1,049,279</b>	<b>53.87%</b>
<b>GENERAL OVERHEAD:</b>					
6700 Indirect Labor.....	\$ 741,190	\$ -	\$ (3,300) (c)	\$ 737,890	37.83%
9210 Direct: Lodging, Meals, and Travel.....	122,101	-	\$ (0) -	-	0.00%
9220 Direct: Employee Mileage Reimbursement.....	159,941	-	\$ (0) -	-	0.00%
9230 Direct: Rentals and Supplies.....	21,651	-	\$ (21,651) -	-	0.00%
9240 Direct: Subconsultants.....	44,662	-	\$ (0) -	-	0.00%
9300 Advertising and Marketing.....	23,591	-	\$ (5,750) (e)	17,841	0.98%
9100 Automobile Expense.....	68,568	-	\$ (12,690) (f)	55,878	2.85%
9200 Bank Service Charges.....	3,753	-	-	3,753	0.00%
9400 Contributions and Gifts.....	14,629	-	\$ (14,629) (g)	-	0.00%
9500 Depreciation Expense.....	117,030	-	-	117,030	6.00%
9600 Dues and Subscriptions.....	15,189	-	\$ (350) (h)	15,839	0.81%
9800 Insurance: Automobile.....	14,059	-	-	14,059	0.74%
9910 Insurance: Business Liability.....	22,400	-	-	22,400	1.00%
9900 Interest Expense.....	36,084	-	\$ (36,084) (i)	-	0.00%
7000 Licenses and Permits.....	21,455	-	-	21,455	1.10%
7100 Maintenance and Repairs.....	97,135	-	-	97,135	4.98%
7200 Meals & Entertainment.....	19,310	-	\$ (1,050) (j)	18,260	0.94%
7300 Misc. Fees, Fines, Penalties.....	0,627	-	\$ (0,627) (k)	-	0.00%
7400 Office Expense: Copying.....	0,102	-	-	0,102	0.42%
7410 Office Expense: Postage and Delivery.....	4,486	-	-	4,486	0.23%
7420 Office Expense: Office Supplies.....	32,183	-	-	32,183	1.65%
7430 Office Expense: Other Office Expense.....	35,689	-	-	35,689	1.84%

3 The firm must complete the Internal Control Questionnaire (ICQ), however, we encourage the ICQ document be reviewed by staff or CPA preparing the overhead to ensure cohesive pre-qualification documents. For example, if the ICQ states that vehicle costs are considered an indirect cost; auditors expect to see an indirect account for vehicle expense on the overhead.

Overhead Account	Overhead Amount	General Ledger	Tax Return	Comments	ICQ
Auto Expense	51,000	65,000	65,000	Please explain the 14,000 difference between the G/L, tax return and overhead	Appendix B-12 Question H.4. Classification of Cost Items.  Your firm answered N/A for vehicle, therefore vehicle costs should not be included in the overhead

## Step 4

### Item 3-Executive Compensation Analysis

MoDOT auditors must review executive compensation to ensure compliance with the FAR. Excess compensations must be shown as an unallowable cost on the overhead rate schedule.

The firm has 3 options to demonstrate executive compensation is within the FAR allowable limits.

**Option 1:** Compare executive compensation to the National Compensation Matrix (NCM) located on the AASHTO website;

**Option 2:** Complete a compensation analysis through the use of salary surveys;

**Option 3:** Provide the following information:

Position Title	Total wages paid including taxable fringe benefits	Total bonuses paid

## Step 4

### Item 4-Contractor Cost Certification

The Contractor Cost Certification should reflect the overhead rate listed on the overhead rate schedule and certifies the overhead rate schedule was prepared in accordance to the FAR.

If the firm has a home office and field office rate, both overhead rates must be shown on the form and the form must signed and dated to be valid.

Print Form

#### Contractor Cost Certification

#### Certification of Final Indirect Costs

Firm Name: \_\_\_\_\_

Indirect Cost Rate Proposal (overhead rate %): \_\_\_\_\_

Date of Proposal Preparation (mm/dd/yyyy): \_\_\_\_\_

Fiscal Period Covered (mm/dd/yyyy) to mm/dd/yyyy): \_\_\_\_\_ to \_\_\_\_\_

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)

*Thoroughly answer all questions and ensure the submittal includes the required supporting documentation.*

#### 5. Internal Control Questionnaire (ICQ) for Consulting Engineers

Scroll down the AASHTO website and select Updated ICQ

Double click to Open the file

Select File

Select Save As

- \* Thoroughly answer each question to complete the ICQ.
- \* The ICQ must be signed and dated.
- \* Ensure all requested policies, timesheets, billing rates and other requested information is included in the prequalification package.

ICQ Overview

Additional Resource Information by ICQ Section

#### Related Party Rent

Related Party Rent Worksheet

Related Party Rent Policy

Facilities Cost of Capital Rates

View the ICQ Overview and Additional Resource Information by ICQ Section for assistance in accurately completing this document.

Ensure the required documents are included in the submittal.

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)

*Thoroughly answer all questions and ensure the submittal includes required supporting documentation.*

The firm's CPA/Accountant should not complete the ICQ document, however, it is encouraged to have a review of the completed ICQ and overhead rate schedule to ensure accuracy and cohesion.

Overhead Account	Overhead Amount	General Ledger	Tax Return	Comments	ICQ
Auto Expense	51,000	65,000	65,000	Please explain the 14,000 difference between the G/L, tax return and overhead	Appendix B-12 Question H.4. Classification of Cost Items.  Your firm answered N/A for vehicle, therefore vehicle costs should not be included in the overhead
Admin Travel	14,595	16,315	16,315	Please list the type of activities included in this costs. If the costs are associated with a project(s), those costs must be removed.  Please explain the 1,720 difference between the G/L, tax return and overhead schedule.	Appendix B-12 Question H.4. Classification of Cost Items.  Your firm answered Travel and Subsistence is treated as a <u>direct expense</u> therefore, the cost should not be included in the overhead. <ul style="list-style-type: none"><li>Please revise the ICQ to show how Travel and Subsistence costs are managed by the firm</li></ul>

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)

To assist firm's, Section links have been develop as a tool in understanding the ICQ requirements.

The ICQ Overview describes the risk based assessment performed by MoDOT auditors.

#### INTERNAL CONTROL QUESTIONNAIRE (ICQ) OVERVIEW

The firm must demonstrate through the Internal Control Questionnaire (ICQ), a fundamental understanding of the Federal Acquisition Regulations (FAR). MoDOT auditors will gain an understanding of your firm's accounting practices through a Risk Based Assessment, which will provide reasonable assurance that the documents contain no material misstatements, identifies potential improvements to the firm's accounting practices while still maintaining an audit process that is both effective and efficient.

The ICQ may not be completed by your CPA. However, the CPA or staff completing the overhead schedule should review of the document to ensure cohesion between the ICQ, overhead schedule and other pre-qualification documents.

The Risk-Based Assessment includes but is not limited to the review of the firms:

- Presence or lack of written policies and procedures
- Control environment of the accounting system
- Ability of the firm to demonstrate fundamental FAR knowledge
  - Recognizing the flow of transactions and the ability of employees to affect recording of transactions.
- Errors noted in the current and prior year(s) pre-qualification documents
- The accounting system's ability to segregate direct and indirect cost
- Proper allocation of labor cost to direct and indirect costs with emphasis on
  - Timekeeping entry, adjustments and approvals
    - Uncompensated overtime for salaried employees-all time must be recorded and included segregation between direct and indirect labor hours
  - Compensation
    - Base salary
    - Bonus – auditors expect written plan/policy employment agreement
    - Pension
    - Health/life insurance
    - Auto allowance
    - Deferred comp
    - Long-term insurance
    - Stock options
      - Distribution of Profits
- The accounting system's ability to identify and remove unallowable costs
  - Travel & Meals
  - Employee welfare
  - Outside Services
  - Legal & Professional Fees
  - Rent/Lease costs
  - Marketing/Advertising
  - Depreciation – Section 179 & Bonus Depreciation is unallowed

## Internal Control Questionnaire (ICQ) for Consulting Engineers

# Step 4 Item 5-Internal Control Questionnaire (ICQ)

Required:  
Fiscal Year End format: mm/dd/yyyy

Name of Engineering Consultant ("the Company"):   
TIN (Taxpayer Identification Number):   
Headquarters Address:   
Company Website:   
Fiscal Year End:   
This ICQ was prepared for (DOT/agency name):   
Time Period Covered:   
Location of Accounting Records:

- Please include the following items as **attachments** to this ICQ:

- FAR Part 31 Overhead Audit Report for most recent fiscal year, including audited Statement of Direct Labor, Fringe Benefits, and General Overhead (hereinafter "Indirect Cost Rate Schedule") and related reconciliation to the financial statements.
- Cognizant audit report or cognizant letter of concurrence from the cognizant Government agency.  
*Check here if not applicable:* ☐
- Post-closing trial balance and financial statements (balance sheet, income statement, and statement of cash flows) for the most recent fiscal year. (Note: If the indirect cost rate schedule does not directly tie to the trial balance, then please provide a supplemental reconciliation schedule.)
- Current chart of accounts that ties to financial statements and indirect cost rate schedule.
- Independent Auditor's Report on financial statements and accompanying management letter.  
*Check here if not applicable:* ☐
- Sample timesheet.
- The Company's policies for vacation and sick leave.
- The Company's bonus policy.
- Other written policies, as requested throughout this ICQ.

**Note:** Throughout this ICQ, all references to "AASHTO Guide" pertain to the 2012 Edition of the *AASHTO Uniform Audit & Accounting Guide*.

- Please identify the Company's primary contact for accounting questions:

Name:   
Title:   
Phone Number:   
E-mail Address:   
Mailing address (if different than headquarters address listed above):

### A. Background Information

**A.1. Year Established.** When was the Company formed?

**A.2. Business Form.** What form of business entity is the Company?

- ☐ Sole Proprietorship   ☐ Partnership   ☐ C Corporation   ☐ S Corporation  
☐ Other

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)

To assist firm's, Section links have been develop as a tool in understanding the ICQ requirements.

#### ICQ Section Links

[Section A](#)

[Section G](#)

[Section B](#)

[Section H](#)

[Section C](#)

[Section I](#)

[Section D](#)

[Section J](#)

[Section E](#)

[Section K](#)

[Section F](#)

- Please identify the Company's primary contact for accounting q

Name:

Title:

Phone Number:

E-mail Address:

Mailing address (if different than headquarters address listed at

#### **A. Background Information**

**A.1. [Year Established](#).** When was the Company formed?

**A.2. [Business Form](#).** What form of business entity is the Company?

☐ Sole Proprietorship    ☐ Partnership    ☐ C Corp

☐ Other

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section A

*Any cost unrelated to the A/E consulting services performed by the company must be removed from the overhead rate schedule.*

#### ICQ Section A. Background Information

Background Information - Ask yourself these questions when completing this section of the ICQ

- Does your firm include a Parent Company with Subsidiaries?
- Does the firm segregate cost through a separate accounting system for each subsidiary?
- Does the firm's overhead schedule exclude cost from the Parent Company?

**Note:** The subsidiary must identify cost allocation practices between related business entities (e.g., Parent Company allocating costs to subsidiaries or divisions, allocations between subsidiaries or divisions, and/or allocations to specific product lines).

MoDOT auditors will review costs for the company providing services to MoDOT. If the overhead schedule includes cost from the Parent Company or other subsidiaries of the Parent Company, those costs will need to be identified and possibly eliminated from the overhead.

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section B

#### ICQ Section B. Account: General Background

Accounting: General Background - Ask yourself these questions when completing this section of the ICQ

#### B. Accounting: General Background

**B.1. Fiscal Period.** Has the Company used the same

☐ Yes ☐ No

**B.2. Accounting Method/Basis.** What basis of accounting did you use for your financial statements?

☐ Cash ☐ Accrual ☐ Hybrid. Please explain:

- Was the same basis of accounting also used for the previous year?

☐ Yes ☐ No. Please explain: \_\_\_\_\_

**B.3. Accounting Policies.** Does the Company have written accounting policies?

- If your firm does not have written accounting policies, when do you anticipate accounting policies to be developed?

Note: If your firm does not have written policies, an explanation should be provided to demonstrate your firm's ability to track costs between direct and indirect labor and how your firm identifies and remove unallowable cost to demonstrate compliance with the FAR.

- Does your firm have staff that has a fundamental knowledge of the Federal Acquisition Regulations (FAR)?
- Does staff recognize the flow of transactions and the ability of employees to affect recording transactions and the subsequent impact to direct and indirect costs?

(If "yes," please provide a copy.)

	Yes	No
a. Accounting system	<input type="checkbox"/>	<input type="checkbox"/>
b. Billing	<input type="checkbox"/>	<input type="checkbox"/>
c. Cost estimating/allowability	<input type="checkbox"/>	<input type="checkbox"/>
d. Recording time worked/timesheet preparation	<input type="checkbox"/>	<input type="checkbox"/>
e. Fringe benefits/leave time	<input type="checkbox"/>	<input type="checkbox"/>
f. Recording overtime	<input type="checkbox"/>	<input type="checkbox"/>
g. Compliance with FAR Part 31 <sup>(7)</sup> and applicable CAS	<input type="checkbox"/>	<input type="checkbox"/>
h. Recording direct and indirect costs	<input type="checkbox"/>	<input type="checkbox"/>
i. Overhead/indirect cost rate development	<input type="checkbox"/>	<input type="checkbox"/>
j. Billing rate development	<input type="checkbox"/>	<input type="checkbox"/>

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)- Section C

#### **C.5. Direct and Indirect Expenses.** Does the following?

- a. Labor costs ☐ Yes  
b. Non-labor expenses ☐ Yes

If "no," please explain: \_\_\_\_\_

#### **C.6. Exclusion of Unallowable Costs.** Does the Company have a system in place to identify and remove from indirect cost pools all unallowable costs, in accordance with per FAR Part 31 and applicable Cost Accounting Standards? (See AASHTO Guide, Section C.6.)

☐ No. Please explain: \_\_\_\_\_

☐ Yes. If "yes," please answer a through c, below.

a. Please provide details about the system. \_\_\_\_\_

b. How are appropriate personnel trained to distinguish between allowable and unallowable costs?  
\_\_\_\_\_

c. When does the primary review for allowability occur—at time the transaction is recorded, or later?  
\_\_\_\_\_

#### **C.6. Exclusion of Unallowable Costs.**

Does the Company have a system in place to identify and remove from indirect costs pools all unallowable costs, in accordance with per FAR Part 31 and applicable Cost Accounting Standards?

The answers to this question provide the auditor with an indication of a firm's ability to prepare a FAR compliant overhead. If the firm answers No and does not provide the required explanation, a DOT auditor cannot provide reasonable assurance that the firm's accounting practices are adequate to develop a FAR compliant overhead.

This question also assists a DOT auditor with assessing the personnel recording the transactions into the accounting software or documents. If staff entering the transactions into the accounting system does not have a fundamental understanding of the FAR, how do the Accountant /CPA preparing the overhead determine the allowability of costs when developing the overhead? Will the Accountant/CPA review each transaction?

#### **Auditor's responsibilities:**

- Evaluate a firm's accounting practices
  - Determine if the accounting practices are adequate to prepare a FAR compliant overhead schedule.
  - Determine if the accounting staff has a fundamental understanding of the FAR to ensure the integrity of the transactions used to develop the overhead.
  - Determine if internal controls are in place to ensure the compliance with federal regulations in government contracting.

# Step 4

## Item 5-Internal Control Questionnaire (ICQ)-Section

### ICQ Section D – Information Technology (IT) Systems

IT Policies - Ask yourself these questions when completing this section of the ICQ

#### D. Information Technology (IT) Systems

**D.1. IT Policies.** Does the firm have written IT system policies concerning the following? (If “yes,” please provide a copy.)

a. Hardware/Software

- Purchasing.....
- Inventory.....
- Maintenance.....
- Access.....
- Use of In-house and off-site.....
- Addition and removal/retirement/disposition of.....

b. Business Continuation Plan.....

c. Security Protocol.....

d. Activation and deactivation of employees upon hiring or termination.....

Our firm does not have written IT policies:

- How does my staff consistently follow our firm’s policy and processes?
  - Provide a thorough explanation of how your firm manages its IT processes.
  - Provide a thorough explanation of how your firm safeguards the electronic files.

**D.2. IT Risk Assessment.** Has the Company’s management conducted an IT system risk assessment within the past three years?

☐ Yes ☐ No

**D.3. IT Security Review.** Are system security and application access logs enabled and reviewed periodically?

☐ Yes ☐ No

Comment: \_\_\_\_\_

**D.4. IT Electronic Data Safeguards.** If documents are retained in electronic format, are they stored in a format that cannot easily be modified, removed, or replaced, and does a mechanism/audit trail exist to track all such events?

☐ Yes ☐ No

Comment: \_\_\_\_\_

# Step 4

## Item 5-Internal Control

### Questionnaire (ICQ)-Section E

#### E. Accounting – Payroll and Timekeeping

**E.1. Payroll Service.** Does the Company use an external payroll service?

☐ No ☐ Yes. If "yes," please specify: \_\_\_\_\_

**E.2. Pay Cycle.** What is the Company's standard pay cycle?

☐ Bi-weekly ☐ Monthly ☐ 1st & 15th ☐ Other (please

If the Company uses more than one pay cycle, please explain: \_\_\_\_\_

**E.3. Payroll Register.** Does the payroll register include the following data?

	Yes
a. Employee Name.....	<input type="checkbox"/>
b. Employee ID number.....	<input type="checkbox"/>
c. Gross pay.....	<input type="checkbox"/>
d. Payroll deductions.....	<input type="checkbox"/>
e. Net pay.....	<input type="checkbox"/>
f. Check amount.....	<input type="checkbox"/>
g. Hourly rate.....	<input type="checkbox"/>
h. Pay period.....	<input type="checkbox"/>
i. Normal hours for pay period.....	<input type="checkbox"/>
j. Overtime hours for pay period.....	<input type="checkbox"/>

Comments: \_\_\_\_\_

**E.4. Timekeeping System.**

a. Does the Company use an electronic timekeeping system?

☐ Yes ☐ No

- If "yes," please provide an explanation of its operation, or provide

#### ICQ Section E. Accounting – Payroll and Timekeeping

Labor Costs - Ask yourself these questions when completing this section of the ICQ

- Does my firm have established timekeeping policies, processes or procedures in place to adequately track project and non-project related labor?
- Our firm does not have written timekeeping policies. What are the processes or procedures used to ensure labor costs are tracked consistently?
- What types of activities are considered as non-project related labor?

Activities could include but are not limited to:

- Public Relations & Advertising (Marketing)
  - Development of videotapes, brochures, handouts, magazines, etc., designed to call favorable attention to the contractor
  - Trade Shows and related expenses
  - Promotional items to include but not limited to models, souvenirs, coffee mugs, imprinted clothing, etc.
  - Memberships in civic and community organizations
  - Lobbying
  - Entertainment and related expenses

- How does the timekeeping system track cost direct and indirect labor hours?
- Does my firm allow timesheet revision/adjustments without the employee's approval?
- Who in our firm can revise/adjust timesheets?
- How are revisions/adjustments on timesheets approved?
- How are revisions/adjustments on timesheets tracked?
- What is the process to determine if a timesheets adjustment is necessary?
- Who is authorized to review and edit/adjust timesheets?
- What type of documentation is required when timesheet edits/adjustments are necessary?

Do my firm's timesheets include the following fields?

Date  
Employee name  
Unique identifying project number  
Employee signature  
Supervisor signature(s)

## Step 4

# Item 5-Internal Control Questionnaire (ICQ)-Section F

### ICQ Section F. Labor Cost Accumulation

#### AASHTO Internal Control Questionnaire for

Direct and Indirect Labor Costs - Ask yourself these questions when completing this section of the ICQ

#### F. Labor Cost Accumulation

**F.1. Direct & Indirect Labor.** Do the Company's timesheets include hours? (See AASHTO Guide, Chapter 6.)

☐ Yes ☐ No

- If "yes," do all employees, including managers and principals, complete timesheets?

\_\_\_\_\_

- If "no," then please explain the method used to segregate

**F.2. Work Week.** Please list the Company's normal hours of business

\_\_\_\_\_

**F.3. Uncompensated Overtime** (see AASHTO Guide, Section 5.4) by all employees, including managers and principals, regardless of overtime pay or whether all direct labor hours are billed to specific projects?

☐ No. If "no," please explain: \_\_\_\_\_

☐ Yes. If "yes," which of the following methods does the Company use to account for *uncompensated overtime*—the hours worked without additional compensation in excess of an average of 40 hours per week by direct-charge employees who are exempt from the Fair Labor Standards Act?

☐ Effective Rate Method. Please explain: \_\_\_\_\_

☐ Salary Variance Method. Please explain. (E.g., What was the total dollar amount of the salary/payroll variance for the year?): \$ \_\_\_\_\_

☐ Other. Please explain: \_\_\_\_\_

**F.4. Contract Modifications/Time Tracking.** How does the Company segregate work performed under a basic agreement/contract from work performed for contract changes/modifications? \_\_\_\_\_

- How does my firm determine if labor costs are directly related to a project?

- How does my firm determine if labor costs are not related to a project?

- How does my firm track all labor hours worked by an employee?

How does my firm track contract overrun?

- How does my firm track labor hours when a contract modification to add or remove services from an existing contract occurs?

*NOTE: If a firm cannot demonstrate the ability to track project/non-project labor costs, including overtime, then labor cost cannot be included in the overhead schedule or include any tax or fringe benefit cost.*

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section G

#### AASHTO Internal Control Questionnaire

#### **G. Labor Billings and Project Costing**

##### **G.1. Billing Rates.** Please describe how billing rates are determined.

- ☐ Description:
- ☐ Billing-rate policy attached.

##### **G.2. Premium Overtime.** Does the Company pay overtime

- If "yes,"

###### a. What premium rate is paid, and what categories of employees are eligible?

- ☐ Time-and-a-half for all non-exempt employees
- ☐ Other. Please explain:

###### b. How is the overtime premium accounted for and allocated?

- ☐ As part of direct labor, and overhead is applied to the direct labor cost.
- ☐ As an Other Direct Cost (no overhead applied).

#### ICQ Section G. Labor Billing and Project Costs

Labor Billing and Project Costing - Ask yourself these questions when completing this section of the ICQ

- Does the firm have established timekeeping policies, processes or procedures in place to adequately track project and non-project related labor and overtime?
- Does the firm consistently track all billable and non-billable labor hours?
- What process does the firm use to review all labor cost for accurate allocation to direct and indirect accounts?
- How does the firm track labor costs to identify unallowable cost activities?
- How does the firm remove identified unallowable activities from the overhead?
- How does the firm track and how are costs recorded if the firm pays an employee at a rate or hours in excess of the project/contract terms and conditions?
- How often does an employee get paid above the labor cost/hours listed in the contract?
- How does the firm determine if contract labor is a direct cost?
- Does the firm include fringe benefits for contract/purchase labor that it has determined is a direct labor cost?
- What policies, processes or procedures are in place to ensure the contract/purchased labor is treated in consistently?

#### **NOTE:**

1. If the firm listed contract/purchase labor costs as a direct labor expense, the firm should provide a written explanation of the process, policies and procedures used to identify, calculate, and track the labor costs to include taxes and fringe benefits are paid to the contract/purchase labor.
2. The firm may provide a separate allocation base for the contract/purchase labor. If a separate allocation base is not created, the contract/purchase labor costs must be removed from the overhead schedule.
3. MoDOT reserves the right to disallow unsupported contract/purchase labor costs, including taxes and fringe benefits from contract/purchase labor if the firm cannot demonstrate compliance with the FAR.

## Item 5-Internal Control Questionnaire (ICQ)- Section H

[illegible]

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section H

This section defines how your firm treats expenses billed on federal contracts and invoices.

This is an example of how the ICQ and overhead rate schedule are related and if the documents do not agree, additional information is required.

If H.9. Printing and Reproduction costs are defined as a direct expense, than H.4. should mark printing/reproduction as D for Direct.

Direct expenses or project related costs, cannot be included in the overhead rate schedule.

Please note: the only time N/A should be marked is if the firm does not provide those cost in their services.

**H.8. Computer Expenses:** Are the Company's computer expenses incurred as a result of (select one):

- a. ☐ Outside Services? ☐ Company ownership? ☐ Both?
- b. Does the Company compute a charge rate for computers? ☐ Yes ☐ No  
- If yes, "what is the rate?"  
- How was the rate developed?
- c. Is computer usage segregated by direct and indirect classifications? ☐ Yes ☐ No
- d. Are computer usage logs maintained and coded by job/project? ☐ Yes ☐ No

**H.9. Printing and Reproduction Costs:** How are printing and reproduction expenses treated?

- In House: ☐ Direct cost ☒ Indirect cost ☐ Combination of direct and indirect
- Outside vendor: ☐ Direct cost ☒ Indirect cost ☐ Combination of direct and indirect

*If you marked "combination of both," please explain:*

- a. For in-house services, are usage logs maintained and coded by job/project?  
☐ Yes ☐ No
- b. Is usage segregated by direct and indirect classifications?  
☐ Yes ☐ No
- c. If these costs are incurred through the use of an outside vendor, are the invoices coded by job/project when received?  
☐ Yes ☐ No

**H.10. Telephone Costs:** How is the expense for telephone service recorded and billed?

- ☐ Direct cost ☐ Indirect cost ☐ Combination of direct and indirect

*If you marked "combination of direct and indirect," please explain below:*

- Does the Company maintain a telephone log to record toll calls? ☐ Yes ☐ No
- Are the calls job-coded by direct and indirect classifications? ☐ Yes ☐ No

**H.4. Classification of Cost Items:** How are the following cost items accounted for and billed?  
(Check both "D" and "I", if applicable.)  
(D = Direct; I = Indirect; N/A = not applicable)

	D	I	N/A
a. Vehicles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Computer Assisted Design and Drafting (CADD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Computer (non-CADD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Printing / Reproduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f. Postage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Lab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Drilling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Travel and Subsistence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. GPS and/or Nuclear Density Meters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Other (list if significant)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**H.5. Nonbillable Costs:** Describe the accounting treatment for direct costs not billable to clients. (Where/how are these costs recorded?)

Note 4/1/2014 6:59:09 AM x  
Audit & Investigation Division Options

N/A should only be checked if your firm does not provide those services

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section I

#### I. Compensation for Owners and Employees

##### I.1. Bonuses.

- a. Did the Company pay, or accrue for, bonuses earned by owners by the latest indirect cost rate schedule?

☐ Yes ☐ No

- If "yes," were the bonuses included in the submitted over-

- Was any portion of these bonuses excluded from the sub-

Comment:

- b. Does the Company have a written bonus plan?

☐ Yes. Please provide a copy of the plan.

☐ No. Please describe how bonuses are determined and how

- c. Are all employees eligible for the bonuses? ☐ Yes ☐ No

##### I.2. Executive Compensation. Has the Company, an independent CI evaluation of executive compensation for *reasonableness* in accordance with Guide Section 7.5.)

☐ Yes ☐ No

- If "yes," describe the methodology used and how this process

#### ICQ Section I. Compensation for Owners and Employees

Compensation for Owners and Employees - Ask yourself these questions when completing this section of the ICQ

- Does the firm have established timekeeping policies, processes or procedures in place to adequately track project and non-project related labor and overtime for owners and employees?
- How did the firm establish reasonableness for executive compensation?
- Does the executive compensation include fringe benefits?
- Does the executive compensation include bonuses?
- Does the executive compensation include stock options?
- Does the executive compensation include a distribution of profit?
- Does the firm employ family members?
- If the firm does not have a written Bonus Policy, how does the firm consistently track the following:

- Labor Hours
- Fringe Benefits
- Bonus Pay
- Incentive Pay
- Deferred Compensation
- Pension Plans
- Stock Options
- Distribution of Profits
- Golden Parachutes
- Golden Handcuffs
- Executive Severance
- Any compensation not listed above

#### NOTE:

1. *Additional review of stock options as a form of compensation through and Employee Stock Ownership Plans (ESOPs) will be necessary to determine allowability of compensation.*
2. *MoDOT will compare the firm's compensation analysis with the National Compensation Matrix to determine if the compensation is within the allowable limits.*

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section J

#### AASHTO Internal Control Questionnaire

#### J.3. Property or Facilities Leased from Related Parties facilities from another entity (organization or individual)

☐ Yes ☐ No

- If "yes,"

a. Are any of the Company's owners/stockholders/owners/stockholders of the other entity?

☐ Yes ☐ No

- If "yes," please explain: \_\_\_\_\_

b. Have the rental/lease costs been adjusted?

☐ Yes ☐ No

- If "yes," what basis was used to adjust the costs?  
less interest expense, plus cost of capital  
Description: \_\_\_\_\_

#### J.4. Other Related-Party Transactions. Did the firm have any other related-party transactions other than those listed and described in J.1 through J.3?

☐ No ☐ Yes. If "yes," please complete

#### ICQ Section J. Related Party Transactions

Related-Party Transactions - Ask yourself these questions when completing this section of the ICQ

- Does the firm employ related parties to the owners, partners, majority stockholders, members or principals? (related parties include: spouse, parent, child, sibling, in-law)
- Does the firm rent or lease property and/or facilities from the firm's owners/stockholders, or member of their immediate family, owners/stockholders?
- What is the process the firm follows to track that the rent/lease paid to the property owner(s) has been adjusted to the actual cost?

#### **NOTE:**

*When a related party rent situation exists, the following process and documents submitted for review. These documents can be located on the MoDOT Prequalification Process under Helpful Links for Prequalification*

[http://contribute.modot.mo.gov/business/consultant\\_resources/consultant\\_prequalification\\_requirements.htm](http://contribute.modot.mo.gov/business/consultant_resources/consultant_prequalification_requirements.htm)

Related Party Rent Worksheet

Common Control Rent (also referred to as Related Party Rent)

Facilities Cost of Capital Rates located on the Wisconsin DOT website

Provide a copy of the owner's depreciation/amortization schedule

Or

Describe the methodology used to determine reasonableness of costs.

## When a related party rent situation exist, the rent expense reported on the overhead rate schedule must be recorded at the owner's actual costs.

### Option 1:

#### The Related Party Rent Worksheet

#### Provide:

- Owner's tax return schedule of depreciation and amortization showing book values;
- Depreciation;

Note: Section 179 and Bonus Depreciation are unallowable costs; therefore, must be removed or show a conversion to accepted depreciation costs.

- Property tax;
- Maintenance cost;
- Other expenses; define what costs are include in the "other" category.

### Option 2:

Describe the methodology used to determine reasonableness of costs with supporting documentation.

Related Party Rent Worksheet						
red text represent sample values-replace the sample values with the actual book value of the asset(s)						
Don't forget to complete the year						
Assets	Book Value as of January 1, 201_	Accumulated Depreciation	Net Book Value	Book Value as of December 31, 201_	Accumulated Depreciation	Net Book Value
Land	95,302.00	-	95,302.00	95,302.00	-	95,302.00
Buildings & Equipment	3,046,910.00	2,423,291.00	623,619.00	3,175,438.00	2,451,569.00	595,341.00
	3,142,212.00	2,423,291.00	718,921.00	3,270,740.00	2,451,569.00	690,643.00
Average Net Book Value (net book value at 1/1 + net book value at 12/31 divided by 2)						704,782.00
Weighted Average Interest Rate from the IllinoisDOT schedule for December					20__	
<a href="#">Wisconsin Department of Transportation - Facility Cost of Capital Rates</a>						
Facilities Capital Cost of Money (FCCM)						
FCCM cost = Average Net Book Value x the Weighted Average Interest Rate					for 201_	-
Total Allowable Costs (from tax return)						
Depreciation			97507			
Property tax			24733			
Maintenance costs			53814			
Other			\$			
FCCM Costs from above			\$	(from above)		
Total Allowable				This amount represents the total allowable rent that can be reported on your firm's overhead		
Provide the Depreciation and Amortization Schedule from the Related Party showing the values used to prepare this document						
NOTE: Section 179 and Bonus Depreciation are unallowed and must be removed when calculating values						

## Step 4

# Item 5-Internal Control Questionnaire (ICQ)-Section K

### AASHTO Internal Control Questionnaire for Consulting Engineers

#### K. Other Questions

**K.1. Life Insurance.** Does the Company pay life insurance for

☐ Yes ☐ No

- If "yes,"

(a) Have any costs associated with this life insurance?

☐ Yes – total amount:  ☐ No

(b) Please identify the beneficiary of the life insurance:

☐ Company/surviving partners ☐ Office

☐ Other (specify)

(c) Please identify the type(s) of the life insurance:

☐ Term ☐ Whole life ☐

☐ Accidental death ☐ Other (please specify)

**K.2. Suspension or Debarment.** Has the Company, its parent, partner, or employee of the Company been suspended or debarred by the Federal government?

☐ Yes ☐ No

- If "yes," please provide complete details:

**K.3. Updates for Changes to FAR Part 31.** Does the Company timely updates to company policies and procedures to accommodate changes in FAR Part 31 principles?

☐ Yes ☐ No

- If "yes," please describe the process:

**K.4. Risk Assessment.** Does the Company have a process for assessing risks that may result from changes in cost accounting systems or processes?

☐ Yes ☐ No

- If "yes," please describe the process. How are risks identified and addressed?

**K.5. Communications of FHWA/DOT Requirements.** How does information flow from the FHWA/State DOT to appropriate management personnel? (E.g., How are relevant updates to State DOT procedures or Federal Regulations disseminated to project managers and accounting personnel?)

#### ICQ Section K. Other Questions

Other Questions - Ask yourself these questions when completing this section of the ICQ

- Does your firm pay life insurance for the officers/principals?
- If yes, are the company or owners beneficiaries?

#### NOTE:

*If the Company or its owners are beneficiaries, these costs are unallowable and must be removed from the overhead schedule.*

- When updates are made to the FAR, how are those changes communicated to staff?
- What is the process for addressing accounting system to accommodate updates to the FAR?

## Step 4

### Item 5-Internal Control Questionnaire (ICQ)-Section K

Ensure the form is signed and dated and includes a sample timesheet, policies and any other requested information.

#### AASHTO Internal Control Questionnaire for Consulting Engineers

I certify that to the best of my knowledge and belief this ICQ is a complete and accurate representation of the above-named Company's cost accounting and billing practices.

**Typed or Printed Name**

\_\_\_\_\_  
**Signature**

**Title**

**Date Completed**

Note: The representations on this ICQ were made by, and are the responsibility of, the Company's management.

## What should I include in the Prequalification Submittal

- ☐ Statement of Qualification
- ☐ Secretary of State – Certificate of Good Standing
- ☐ MO Professional Registration – Certification of Authority (License/Registration)
- ☐ Executed E-Verify MOU
- ☐ Notarized Worker Eligibility Verification Affidavit
- ☐ Prequalification Cover Sheet
- ☐ Overhead Rate Schedule
- ☐ Executive Compensation documents
- ☐ Contractor Cost Certification
- ☐ Internal Control Questionnaire (ICQ)
  - ☐ Related Party Rent documents with supporting information
  - ☐ Policies
  - ☐ Timesheet
  - ☐ and other documents as deemed necessary in the ICQ